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SUBJECT: SERBIA: HIGH-FLYING BELGRADE MAYOR DJILAS BUILDS BRIDGES
AND FIGHTS CORRUPTION

REF: BELGRADE 357

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Summary

1. (SBU) In an April 21 meeting, Belgrade Mayor Dragan Djilas - a strong candidate to be a future Prime Minister - shared with the Ambassador his achievements in his first seven months in office in both the infrastructure and social spheres, the political challenges he faces due to his efforts to curb corruption, his desire to bring back direct election of mayors, and his frustration over the Usce Shopping Center and Port of Belgrade scandals and the controversy over Roma settlements in Belgrade. He also explained why he will have to postpone a planned 'sister city' trip to Chicago. End Summary.

Achievements

2. (SBU) Mayor Djilas rattled off an impressive list of projects underway or soon to begin, including a \$200 million Danube River bridge to be financed by the Chinese, an agreement to build 12 new kindergartens and three new schools, plans for new health clinics, the purchase of 30 new trams and 70 new trolleys, and planning for a new light-rail system. (Djilas told us that he faced opposition from Infrastructure Minister Milutin Mrkonjic of the Socialist Party, who favored a prohibitively expensive metro. He added that his recent trip to Moscow had been related to Eurosong rather than a possible metro deal, as the press had reported.) He was working hard to preserve these projects, as well as pensions, in the face of huge budget cuts; the city budget was just cut another \$103 million; combined with recent exchange rate losses, it represented a 1/3 cut.

He was trying to spread out costs over two years to make the key projects feasible, but could not do that indefinitely. One notable success had been raising heating prices by 36% to approach market prices, a long-overdue step that had increased budget revenue.

The Political Cost of Curbing Graft

3. (SBU) Djilas told the Ambassador that he had created many enemies in Belgrade, including within his own Democratic Party (DS), by cutting back on "profitable business opportunities" associated with public contracting; he mentioned one case where he refused to authorize an asphalt contract that was twice as high as it should have been. He had also cut the salaries of 30 top managers at Belgrade Put (roads) from \$1700-2300/month down to \$1300/month; he claimed most of them were party appointees with no expertise. Djilas commented that people very high in the DS were among those "just waiting for him to make a mistake." As a result of this

pressure, Djilas was worried about the May 31 elections for the Belgrade DS leadership. He was also concerned about how well Aleksandar Vucic and the Progressive Party (SNS) were doing in the local polls; they could eat away significantly at DS's numbers in the June 15 by-elections in the Belgrade municipalities of Vozdovac and Zemun (a traditional Radical stronghold).

14. (SBU) Despite these concerns, Djilas said a recent poll in Belgrade showed his popularity rating at +36% -- higher even than President Tadic -- because people were seeing results. Saying he was satisfied with his current position, Djilas told us he wanted to remain Belgrade's mayor for at least a full term in order to finish the important projects he had started. "I have no need to become Prime Minister," he said. (Comment: That is, not yet. Djilas is widely seen as a possible successor to the current - rather colorless - PM, Mirko Cvetkovic. End Comment.)

Direct Election of Mayors Needed

15. (SBU) Belgrade's city government is far from ideal, however. Djilas complained that the system of indirect local elections introduced in 2008, in which the majority coalition in the city assembly chooses the mayor, had left him with a narrow margin in the city assembly and six coalition partners who had constant demands. (Deputy Mayor Milan Krkobabic of the Pensioners' Party was particularly difficult, he said.) Praising Aleksandar Vucic (SNS) as someone easy to work with, Djilas said he would prefer to be in coalition with the SPS and either the Progressives or Ceda Jovanovic's Liberal Democratic Party (LDP).

16. (SBU) Longer term, Djilas plans to push for the local election law to be changed to permit the direct election of mayors, in order to create more functional city governments. He hoped for new municipal elections in 2010, which would create a healthy alternation of national and local elections every two years.

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Scandal Headaches

17. (SBU) The recent controversy over the Usce Shopping Center and Port of Belgrade projects spurred by B-92's "Insider" program had become a huge headache, Djilas said. He was frustrated that he had to "cover" for the people in office five years ago who signed the privatization deal for the land where the Usce Shopping Center had been built. The problem with the Port of Belgrade traced back even further: Djilas said the problems there began 35 years ago when the land did not revert to the city of Belgrade as planned; now the situation was too complicated to resolve quickly. As a result of the controversy, Djilas said he had completely stopped signing off on new land privatizations until a new law being drafted by Environment and Urban Planning Minister Oliver Dulic was passed to clarify the rules.

18. (SBU) When asked about the recent controversy over the demolition of an illegal Roma settlement in New Belgrade (reftel), Djilas expressed frustration that the NGO community had criticized his actions; he described efforts to achieve lasting solutions to the Roma community's problems rather than leaving them in rat-infested cardboard shacks. He detailed a plan to place 20 new prefab container homes (with heat, plumbing, and electricity) in each of Belgrade's municipalities, enroll the resettled children into school, and provide access to health care. He also said that Roma would be eligible to apply for 65 new social apartments that the city had just completed, commenting that if the NGOs truly wanted to help they should sit down with Roma families and help them fill out the applications.

Chicago Sister City Visit Postponed

19. (SBU) As a result of the difficult political situation in Belgrade, Djilas had decided to postpone a planned 'sister city' visit to Chicago; his deputy mayor would go instead. He hoped to be

able to reschedule for any time after June. Part of the reason he could not go was the fact that he had few staff that he could count on; of his ten top people, five were from coalition partners and three were chosen by others in DS - only two are people he knew and trusted. "If I leave for seven days, who knows what I'll come back to," he said.

Biographic Information

¶10. (SBU) Dragan Djilas (no relation to Tito's advisor of the same name) was born in 1967 in Belgrade and received a BS in mechanical engineering from Belgrade University. He was one of the founders of B92 Radio, one of the first media outlets to oppose Milosevic's regime, and led student demonstrations against the regime in 1991-1992. During the late 1990s, Djilas developed a successful career in marketing as co-owner of one of the major marketing agencies "Multicom;" he now owns stakes in several major marketing firms. His business acumen is criticized by populist foes who label him a "tycoon," and praised by allies as proof that he is a real-world problem-solver. Djilas joined the Democratic Party in 2004, winning election to the Executive Board soon thereafter. In 2006, he was elected DS City Board President. Djilas managed the National Investment Plan, Serbia's main development program, from 2007-2008. He was elected Mayor of Belgrade during the Belgrade City Assembly session on August 19, 2008. Djilas is also the founder and vice-president of the humanitarian agency "Nasa Srbija" ("Our Serbia"), which provides assistance to war orphans. Divorced from -- but still politically allied with -- Milica Delevic, the head of the government's European Integration Office, Djilas has two daughters and speaks fluent English.

Comment

¶11. (SBU) When Djilas took office last fall, it was not clear whether would be able to make the transition from the private sector to local government, or would become frustrated with the bureaucracy and return to his (quite lucrative) business interests. It now appears clear that Djilas is in it for the duration; even though he has not yet gotten the city government running the way he'd like it to, he has demonstrated tangible results and enjoys popular support. If he can successfully navigate the minefield of public corruption, his tenure could benefit the citizens of Belgrade and open the door to a run at the Prime Minister slot. End Comment.

MUNTER